



APPROVED MINUTES
Idaho Soil Conservation Commission
2270 Old Penitentiary Road
Boise, Idaho 83701

The Idaho Soil Conservation Commission (ISCC) held a special telephone conference call to review loans, grants, and WQPA project requests on April 17, 2006. Those present on the call were as follows:

Members: J. Morgan Evans, Chairman
Gary Grindstaff, Vice-Chairman
Dick Rush
Dwight Horsch

Members not Present: None

Advisors: None

Advisors not present: Kyle Hawley
Rich Sims, NRCS
Paul McCawley, University of Idaho (U of I)

Others: Jerry Nicolescu, ISCC
Brenda Thomasson, ISCC
Christy Mastin, ISCC
Biff Burleigh, ISCC

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Governor
Dirk Kempthorne

Commission members
J. Morgan Evans
Gary Grindstaff
Bill Flory
Dwight Horsch
Richard Rush

Administrator
Jerry Nicolescu

Welcome/Announcements

Chairman Evans welcomed everyone to the call and declared the session in order 9:30 A.M.

RCRDP Loan Application Reviews

Nicolescu began the meeting by announcing that Christy Mastin has resigned her position as loan officer and has accepted an employment offer in her home state of Washington. Nicolescu also detailed a pending personnel action against an administrative assistant employed by the Commission. This employee has indicated that she has been offered another position and will also be leaving. If the employee does not formally resign her position today in writing, then a formal action for dismissal will be implemented today. All members expressed regret over Mastin's resignation.

Mastin then began presenting the loan requests for review today. She began with the request of David "Skip" and Darlene Owen whose project will convert surface irrigation to two center pivots. Also some ground will be planted to hay and grazed in the fall with cows and calves. The property is near Richfield and is not located on a near a 303(d) listed stream. There is an estimated increase of water efficiency from 25% to 85%. Loan details are below:

David "Skip" and Darlene Owen – Wood River

Signing Parties: David and Darlene Owen			
Loan Amount:	\$ 125,000	Term: 10 years	Rate: 4%
Conditions:	<ul style="list-style-type: none">· ISCC to be secured by an insured 2nd R/E mortgage on 100 acres· Value of R/E to be established by an acceptable evaluation source· SCC to secure 1st lien on equipment to be purchased (UCC-1)· Secured equipment to be insured for life of loan		
Disposition:	Approved as recommended by loan officer.		

Grindstaff moved to approve the loan with the recommendations made by the loan officer. Horsch seconded. Rush noted that the conversion from surface irrigation to central pivots was quite a topic of discussion during the legislature this session. Grindstaff pointed out that these are loans that are paid back, not grants that are provided. Evans pointed out that the main goal of the program is to prevent soil erosion and help with runoff. Rush suggested that we might want to consider water-rights issues in the future. At the conclusion of the discussion, the motion carried.

Mastin next presented the loan request of Harold and Frieda Gebauer from the Minidoka SWCD for a \$60,000.00 loan. The project converts from surface irrigation to a center pivot. Water efficiencies will increase from 35% to 85%, and it is in a Ground Water Nitrate Priority area. There are no ESA species in the area, but the project will also include converting pivot corners into permanent cover/habitat for upland game birds. Details of the loan are listed below.

Harold and Frieda Gebauer

Signing Parties: Harold and Frieda Gebauer					
Loan Amount:	\$60,000	Term:	15 Years	Rate:	5%
Conditions:	<ul style="list-style-type: none">• ISCC to be secured by an insured R/E mortgage on 110 acres• Value of R/E to be established by an acceptable evaluation source• ISCC to secure 1st lien on equipment to be purchased (UCC-1)• Secured equipment to be insured for life of loan				
Disposition:	Approved as recommended by loan officer.				

Grindstaff moved to approve the loan. Rush seconded. During discussion, Horsch asked who set the term of the agreement. Mastin explained that the applicant asks for the term, but the recommendation can be changed by the loan officer based on policy. Evans pointed out that the policy does change from time to time. Rush questioned the applicants projected income. Mastin assured the members that she does received signed financial information. At the end of the discussion, the motion carried.

McCall Farms (Jim McCall)

Mastin presented the request of McCall Farms for \$125,000.00 to convert from wheel lines to a center pivot and replace steel mainline with PVC. Estimated water efficiency will increase from 65% to 85%. The average field slope is 2%. Details of the loan request are listed below:

Signing Parties: McCall Farms by Jim McCall, Frank McCall and Brent McCall		
Loan Amount: \$125,000.00	Term: 7 Years	Rate: 5 %
Conditions:	<ul style="list-style-type: none"> • ISCC to be secured by an insured R/E mortgage on 19 acres and an insured R/E 2nd mortgage on 140 acres • ISCC to secure 1st lien on equipment (center pivot) to be purchased (UCC-1) • Secured equipment to be insured for life of loan 	

<p>Disposition: Approved as recommended by the loan officer.</p>

Mastin reported that all three partners in McCall farms have Beacon scores of over 700, with no judgments or bankruptcies. Grindstaff moved to approve the loan with the loan officer's recommendations, including taking 140 acres under a second mortgage and 19 acres on a first mortgage, and that individual guarantees are provided by all three . Rush seconded. There was a brief discussion during which Rush asked if we got eight tons of soil savings going from wheel lines to pivots. Horsch briefly explained issues with runoff for field slopes, but it was pointed out that these figures are provided by professionals from NRCS. Horsch stated that for the type of soil present, a pivot would do a better job than wheel lines. After conclusion of discussion, the motion carried.

Zollinger Cattle Company (John Zollinger)

The loan request of Zollinger Cattle Company was presented. This project is to convert from flood irrigation to a sprinkler system and is for an amount in excess of the \$125,000.00 loan limit. This project includes three center pivots and two wheel lines. Water efficiency is listed as increasing from 50% to 85% and the file slope is 2%. Details of the loan request are listed below:

Signing Parties: John Zollinger			
Loan Amount:	\$238,900	Term: 15 Years	Rate: 5 %
Conditions:	<ul style="list-style-type: none">• ISCC to be secured by an insured R/E mortgage on 378 acres• ISCC to secure 1st lien on equipment (center pivot) to be purchased (UCC-1)• Secured equipment to be insured for life of loan		
Disposition:	Approved as recommended by Loan Officer		

Rush moved that the loan be approved with the conditions recommended by Mastin, including personal guarantees. Horsch seconded and the motion carried.

K. Roger and Karen Koontz

The next request presented was for Roger and Karen Koontz of the Wood River SCD for a \$70,000 loan on a fifteen year term at five percent interest. The Koontz' property is currently half surface irrigation and half wheel lines and they are converting to a center pivot. The Koontzes are also adding a gravity feed mainline and booster pump. The average field slope is 2.5%, with water efficiency increasing from 50% to 85%. Details of the loan request are listed below:

Signing Parties: Roger and Karen Koontz					
Loan Amount:	\$70,000	Term:	15 Years	Rate:	5 %
Conditions:	<ul style="list-style-type: none">• ISCC to be secured by an insured 2nd R/E mortgage on 160 acres• ISCC to secure 1st lien on equipment (center pivot) to be purchased (UCC-1)<ul style="list-style-type: none">○ Secured equipment to be insured for life of loan				
Disposition:	Approved as recommended by the loan officer.				

Grindstaff moved to approve the application with the recommendations made by the loan officer. Rush seconded and the motion carried.

Charles Olson

Mastin presented Mr. Olson's loan request for \$61,000.00 loan at 3% interest on a three year term. The project is to convert from a wheel line to a center pivot.

Signing Parties: Charles Olson			
Loan Amount: \$50,600		Term: 3 years	Rate: 3 %
Conditions:	<ul style="list-style-type: none">○ ISCC to be secured by the pivot○ ISCC to secure 1st lien on equipment to be purchased (UCC-1)○ Secured equipment to be insured for life of loan		
Disposition: Approved as recommended by the loan officer.			

Grindstaff moved to approve the loan with the conditions recommended by the loan officer, including reducing the amount of the loan to \$50,600 to meet the loan to value requirements. Rush seconded and the motion carried.

David Olson

Mastin presented the request of David Olson from the Elmore SWCD for loan of \$58,700.00 on a five year term at 3% interest to convert from a wheel line to a center pivot. The field slope is less than one percent, and water efficiency will increase from 65% to 85%. The field is in the Mountain Home Ground Water Management Area. Mastin recommended reducing the loan amount to \$47,000 for an 80% loan to collateral value, which will also reduce the payment to \$10,263 annually.

Signing Parties: David Olson		
Loan Amount: \$47,000	Term: 5 years	Rate: 3 %
Conditions:	<ul style="list-style-type: none">o ISCC to be secured by the pivoto ISCC to secure 1st lien on equipment to be purchased (UCC-1)o Secured equipment to be insured for life of loan	
Disposition: Approved as recommended by the loan officer.		

Grindstaff moved to approve the loan with the conditions recommended by the loan officer, including reducing the amount of the loan to meet the loan to value. Rush seconded and the motion carried.

Commitment Extension – Randy Bertignolli –

Grindstaff moved to extend the commitment of Bertignolli for one week, as requested. Rush seconded and the motion carried.

State Revolving Fund Loan Requests

There were two SRF proposals presented at the March 22, 2006 Commission meeting. The Commission was unable to vote on the proposals at that meeting due to the lack of a quorum. The narrative information presented below is for ease of review and was not re-presented during the conference call.

Lyndsey Lateral Water Users Association (Lynn Tominaga)

This area has had water rights since 1878 and is one of the oldest water rights in the valley. A feasibility study was conducted to determine the best time of project to implement. This project will convert from flood irrigation to pressurized irrigation systems on over 51 acres of 190 homeowners. This project is located on the Boise Bench and most parcels are two acres in size. This would conserve water and will help reduce storm water runoff because there will be zero discharge into the waste water system. This project was originally ranked 29th by DEQ, but after a discussion with DEQ, the project funding has become available because of the non-point source issues that could be addressed. A local improvement district is being formed. Sixty percent of the resident owners in the area are required to form the local improvement district. So far, 62% of the homeowners have approved the project. They are in the process of verifying all the signatures and this will come up for a hearing in a couple of weeks. Boise City will become the sponsor of the local improvement district and would enforce the tax liens. They could afford this loan at three percent interest, but any more than that would not be possible due to the low income of the residents in the area and the rising costs of supplies. Tominaga believes that a higher interest rate will kill the project.

In addition to the water rights, the pumps could also be used as collateral. Mastin recommends approval at 4% interest and adequate collateral position – 70% loan to current value. The project costs were updated in February 14, 2006. A meeting with DEQ was held on February 3, 2006, wherein DEQ stated that funds were available for the project, though there is no signed contract (yet) for these funds. Water right information is as follows: 2.3 cfs, 959.8 acre feet. It was verified that no lien is being held, but it is under review by the Snake River Adjudication Board.

Details of the loan request are listed below:

Signing Parties: Lyndsey Lateral Water Users Association (Lynn Tominaga)			
Loan Amount:	\$1,700,000.00	Term:	20 Years
		Rate:	4 %
Conditions: <ul style="list-style-type: none"> · ISCC to secure all water rights for the project. · Loan approval is subject to funds availability from DEQ. 			
Disposition: Approved as recommended by Loan Officer			

Grindstaff moved to approve the Lyndsay Lateral request with the recommendations made by the loan officer. Horsch seconded. During discussion it was pointed out that this is good business and EPA has really been watching it and the motion carried. Grindstaff moved to allow Nicolescu to sign for the members. Rush seconded and the motion carried.

Lower Payette Ditch Company (Ron Shurtleff, Peggy Murph)

Mastin recapped the information provided by Chuck Pollock and Ron Shurtleff during the March meeting. A narrative from the minutes of the March meeting is provided here for review. The Lower Payette Ditch Company is putting together a proposal for this project. Shurtleff stated that the Lower Payette Ditch Company is a water delivery company that has delivered water to the Payette Valley since 1882. Its canal now stretches 35 miles and supplies water to 13,000 acres. The project will replace the aging horse and plan diversion dam on the Payette River. The dam is essential to the Ditch Company to force water into their delivery canal. The old structure, built in 1921, has come to the end of its useful life; the concrete bed structure has deteriorated, broken, and become misaligned, allowing water to undermine steel stirrups that have corroded away, making the dam deployment difficult. About twenty years ago, it was determined that a bladder dam would be the best way to replace the existing dam. They had approval from the federal government for a direct appropriation to complete the project. Unfortunately, funding for the project was diverted due to the start of the Gulf War four years ago. This dam will include passage for boats and fish, and will give automatic stage control providing consistent delivery in the canal. The loan officer notes that the project has received funding from Idaho Water Resources, but the terms and repayment period is not as favorable as the SRF program. They have ordered the bladder and will start work in the river at the end of September 2006. There are several ways that the company could fund this project and they have a solid ability to repay

the loan. By splitting the loan, \$624,000 would come from the direct appropriation, \$435,000 would remain with water resources and the balance of funds, approximately \$800,000.00 would come from the Commission's SRF program. They are requesting a twenty year contract length to allow for poor water years. There are about 450 accounts, some of which are laterals, which puts the number of users to over 1,000. Many of them are commercial users. Mastin pointed out that they have applied to DEQ for the current funding cycle. Mastin recommends approval with the terms and conditions listed below, including that DEQ fund the project and that value is agreed upon for the water rights. The Water Resource Board is willing to split the water rights with the Commission to secure the loan. Mastin stated that this project does fit the criteria of the SRF program. We would receive a ranking from DEQ in June to determine if the project would be funded. Grindstaff asked if the Ditch Company can wait for approval until the telephone conference call in April or until the next Commission meeting in May. The main concern of the ditch company today was to ensure that this project meets the Commissions guidelines for SRF funding. This would be the biggest conservation project the Ditch Company has undertaken. Shurtleff asked which funding scenario the Commission would prefer to fund. The Members stated that they would prefer to loan the full \$1.2 million, but that it is important to maintain relationships as well, so they would likely honor the first choice for funding of the company.

Signing Parties: Lower Payette Ditch Company (Ron Shurtleff, Peggy Murph)			
Loan Amount:	\$1,280,300.00	Term:	20 Years
		Rate:	4 %
Conditions:	<ul style="list-style-type: none"> · ISCC to secure water rights – value to be agreed upon by both LPDC and ISCC. · Insurance on the structure for the life of the loan. · Loan approval is subject to funds availability by DEQ 		
Disposition:	Approved as recommended by Loan Officer		

Grindstaff moved to approve based upon the recommendation of the loan officer and upon the approval of DEQ, Horsch seconded. During discussion, Rush questioned that since the ditch company has ordered the bladder, are they in violation of the policy of not beginning the project before approval. Mastin assured all that since actual implementation has not taken place, its okay to move ahead with the project. At the conclusion of the discussion, the motion carried.

Water Quality Program for Agriculture

Burleigh stated that he had sent a letter asking the members to raise the financial limit on one project (the Burley/Marsh Creek Project) which was just approved at the March meeting. The project was structured around six participants. Burleigh would like to have the limit raised by an additional \$55,000 to include a seventh participant to accommodate the additional project. These contracts have built in technical

assistance and should be completed within a three-year period. Grindstaff moved to approve the addition to the project. Horsch seconded.

Upper Salmon Basin update

Nicolescu reported that there will be significant changes in the USBWP. This project has been funded by BPA since 1992 and encompasses two soil conservation districts. The project began with the Lemhi District and the Lemhi River. Projects originally started with riparian fencing projects along the Lemhi. The project has expanded to include the Pahsimeroi River. Projects since that expansion have become more comprehensive and complex, including diversion projects and fish screens. A large project, the Twelve Mile Project, has recently earned congressional approval.

Currently, BPA pays around \$375,000 annually for staff support for the projects. Things have changed for both BPA and in the USBWP. Each year, more than fifty million is requested from BPA for projects. BPA is only able to fund \$16 million in projects. BPA no longer wants to fund the five staff persons and would prefer to fund Lemhi and Custer projects separately. The USBWP was supposed to be the coordinator for the entire area, supporting efforts to bring salmon back to the area. There are issues of personality conflicts in the area between the Commission, BPA and the Custer SWCD. BPA has provided no-cost time extension through June 30 for the current contract, allowing the expenditure of funds remaining in the contract. There are funds available from the CREP program that could support the USBWP, if the Governor's office will allow the Commission to use the funds for that purpose.

The Lemhi District wants to continue the UWBSP project. Nicolescu has been working repeatedly with the Custer district to try and resolve these issues, but has been unsuccessful. Evans reported that he had a meeting with the Lemhi County Commissioners, congressional staff persons, and others, who expressed their anger at BPA for not continuing to fund the USBWP. Evans stated that he feels the Custer District and BPA are just "playing games" with the Commission. BPA would not answer a question about collaborative working relationships. Grindstaff asked if the Governor was aware of this. Nicolescu stated that Jim Yost of the Governor's office is aware of the issues and that other members of the Governor's staff have sat in on conference calls, as has the Governor's Office of Species Conservation.

The Northwest Power and Conservation Council will support the project as much as possible. The Office of Species Conservation may have funds that can be placed into this project, since the BPA funding will no longer be available. It was pointed out that a similar project, the Clearwater Focus Program in Moscow, currently funded by BPA, works extremely well. Grindstaff asked what would happen if funds are not located to carry out the project? Nicolescu stated that the project would be phased out.

The Custer District believes that BPA will fund all their projects and does not appear to care what happens in the rest of the state. They appear to be intent on destroying the USBWP and are not interested in following the recommendations of the review team. Nicolescu and Weaver have spent 50% to 60% of their time dealing with this issue in the last six months. The Custer District wants to be a stand alone entity. Evans pointed out

for the benefit of the new members that the Custer District has an employee whose husband is a fencing contractor and that there have been concerns about the bidding process because of the appearance of unethical behavior. Grindstaff stated that it is our duty to make sure the Districts are not breaking any laws. Nicolescu has a letter drafted to go to the Attorney General's office requesting clarification on conflict of interest. There is also a letter to the Custer District asking for a detailed explanation of the fence contracting and policy procedures. There are two water quality projects in the Custer area. Nicolescu is requesting that we pull out of those two projects in the Custer area. Evans stated that we don't want to alienate any District, but we cannot continue in this mode.

A letter has been sent to the District asking for a response no later than today (April 17, 2006). As of 11:30 a.m., no response has yet been received from the District. BPA has offered the Custer District their own contract with their own staff. The Commission is the state entity for determining project rank. There have been three projects ranked for consideration. The Custer's stand alone program was ranked third, the Twelve-mile project was ranked second, and the revision of the USBWP, which excludes the Custer SWCD, was ranked number one.

Personnel Issues

Nicolescu asked if the members supported his decisions regarding personnel actions. The members voiced their support that Nicolescu was making the proper decision

The meeting adjourned at 11:38 a.m.

Respectfully submitted,

Brenda Thomasson
Management Assistant